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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 001091

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STATE FOR AF/W, INR AND EB
STATE PASS USTR

E.O. 12958: DECL: 06/20/2013
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SUBJECT: NIGERIA: FUEL PRICE INCREASE MAY TRIGGER VIOLENCE

Classified by Ambassador Howard F. Jeter; Reasons 1.5 (B) and (D)

11. (C) SUMMARY: On June 20, the GON announced a 65 percent fuel price hike, increasing consumer prices from 26 naira to 40 naira per liter. Most Nigerians expected a rise in costs, but did not expect the announcement to come so quickly nor probably did not expect its magnitude. The move however is a dual victory for deregulation of the downstream sector and for easing the GON's fiscal position. However, many Nigerians will be unhappy due to the expected rise in transportation and some food prices. Nigeria Labour Congress (NLC) leadership told Econoff that they had not yet decided how to respond. END SUMMARY.

12. (C) On June 20, the GON announced the immediate increase in the official price of gasoline from 26 naira a liter (\$0.75 a gallon) to 40 (\$1.25 a gallon), diesel from 26 naira to 38 and kerosene from 24 naira to 38. The decision, though expected by most Nigerians and in the offing for months, will be unpopular. One of the reasons why it was announced on Friday was so that negative passions might cool over the weekend. Nigeria's urban poor, who rely on private transportation, will see an immediate increase in prices. The prices of many commodities will climb.

NLC Left in the Dark

13. (C) Senior Nigerian National Petroleum Corporation (NNPC) official Austen Oniwon told Econoff on June 20 the GON did not consult with labor after making the decision to raise prices.

14. (C) An Embassy source said he spoke with NLC President Adams Oshiomole in Geneva last week. Oshiomole confirmed the NLC was discussing the fuel price hikes with the GON and would probably accept an increase of 5 to 7 naira. Oshiomole was still in Switzerland, the source stated.

15. (C) On June 16, Econoff met with the NLC's Senior Assistant General Secretary Olaitan Oyerinde. He opposed the proposed hikes but was resigned to a slight increase. Oyerinde asserted the GON's argument that a price increase would cut smuggling, encourage investment in oil refineries, and reduce government expenditures was erroneous. He complained that Obasanjo had used the NNPC to bilk billions of naira from the country, and was lifting the "so-called" fuel subsidy to allow his cronies to profit even more.

16. (C) NLC's Salihu Lukman, Senior Assistant General Secretary, Education and Training, confirmed that the NLC was

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resigned to an increase but warned that a steep increase could spark a spontaneous public reaction. If the increase were too much, Lukman was fearful that some workers, especially food market workers, would riot in protest of rising costs.

17. (C) COMMENT: The GON announced the fuel price on a Friday, hoping that tempers will cool over the weekend. The GON assured the public that the estimated \$2 billion dollars that will be saved on the fuel subsidy will be channeled to health care, schools and roads. However, many Nigerians are skeptical. Cheap fuel prices have been a benefit all Nigerians have come to expect from the country's petroleum industry. Now, that benefit is evaporating and many people will not like it. Obasanjo's political opposition will likely also try to capitalize on this. However, a price hike was inevitable. The downstream sector needs the incentive that any price liberalization can give. Moreover, the GON's loss of revenue (primarily due to reduced oil production caused by unrest around Warri) made the increase even more

imperative. Lastly, Obasanjo learned a lesson from the 100 days of his first Administration. In Nigeria, it is easier to enact unpopular reforms at the beginning of an Administration than later when the electorate is less forgiving. Consideration needs to dominate.

18. (C) COMMENT CONTINUED: Right now, we do not know how the NLC will respond. There does not seem to be much eagerness for a strike among members of the leadership with whom we have talked. Yet, reaction among the general membership could be strong. If the NLC strikes, this would be the first major challenge of the new Administration. If it does not strike, Obasanjo will achieve a major victory. Without the NLC taking the lead, chances of massive national protest become remote, although localized disturbances remain possible. END COMMENT.

JETER